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Advanced Education & Technology

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Energy

Oilpatch eager to finalize details on royalty hikes; Energy players look for end to uncertainty

The Calgary Herald

Thu 03 Jan 2008

Page: F4

Section: Calgary Business

Byline: Lisa Schmidt

Source: Calgary Herald

Alberta's oilpatch is bracing for more uncertainty in 2008 as the provincial government moves to implement changes to royalty rates a year from now.

As consultations continue with oil and gas producers about the changes -- aimed at collecting an additional \$1.4 billion in royalties annually -- there are concerns a pullback in spending will further dampen oilpatch activity, while a February election call could stall the implementation process.

The province has said it will look at tweaking the new royalty rates to prevent "unintended consequences" that might unfairly punish some parts of the oil and gas industry. But it's not promising any wholesale changes to the framework, which must still be enshrined in legislation this year before taking effect in 2009.

And there's still plenty of details to be hammered out on how the changes will be implemented, as well as the mechanics of how new reporting systems and other accountability measures -- still to be determined -- would affect oil and gas companies.

"There's lots of work to be done over the next year," said Greg Stringham, vice-president of the Canadian Association of Petroleum Producers.

Industry officials hope the "fine-tuning" will be completed quickly to remove as much uncertainty as possible.

They also hope an expected election call from Premier Ed Stelmach, who won the leadership of the Progressive Conservatives over a year ago, won't delay the process.

When the province announced the royalty changes in October, it also said it would negotiate new deals within

90 days with oilsands producers Suncor Energy Inc. and Syncrude Canada Ltd. on a transition to the new framework. That deadline runs out at the end of January.

Under the new framework, royalties on oil and gas development will increase on a sliding scale with commodity prices and production levels.

Smaller energy firms have argued the changes will discriminate against high-risk oil exploration in Alberta, particularly on higher producing wells that will face higher royalties, while other producers have suggested the higher rates will discourage exploration for unconventional gas, such as coal bed methane.

Several of the country's biggest oil and gas producers, including EnCana Corp. and Canadian Natural Resources Ltd., have cut back 2008 drilling programs in

Alberta as they weigh lower natural gas prices and new royalty rates.

"There's some things that they need to do to stop the bleeding that's going on right now," said Stringham.

"A lot of the argument that we've heard back from (the province) is that this was going to happen anyway because of lower natural gas prices.

"That's true to some extent, but we see lower natural gas prices in Saskatchewan and B.C. and (those provinces) haven't been hit quite as much as we are seeing in Alberta."

Industry observers say it's difficult to untangle the impact of uncertainty over royalty changes from lower natural gas prices and high service costs, which had already reduced activity levels in Western Canada this year.

"There's no doubt we will see a slowdown in some areas -- that has already started," said Joseph Doucet, a professor of energy policy at the University of Alberta.

But rising oilsands production will absorb some of the impact from reduced gas production, which currently makes up the lion's share of provincial royalty revenues.

"The picture . . . of the economics of the province is likely a lot rosier just in terms of the ability to sustain a downturn due to gas prices," he said.

"Having said that, it's certainly the case some parts of the province will be much more affected than other parts."

Alberta Energy Minister Mel Knight acknowledged that higher royalties will have an impact on some oil and gas investment, but also said companies weigh a number of factors, including commodity prices, before finalizing spending plans.

"There is some uncertainty around where we're going to land with respect to the royalty framework implementation," he said in an interview with the Herald in mid-December.

"We're working very hard with industry players to get this thing right and that work continues. . . . The framework itself is a good framework to move forward. That's not to suggest that everything people see today is bang on, cast in iron."

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Environment

Finance (including Pensions/Insurance)

Government looking to overhaul pension standards; Tories also looking at provincial pension plan

St. Albert Gazette

Wed 26 Dec 2007

Page: 6

Section: News

Byline: Cory Hare

Source: The Gazette

If you're a person with a penchant for pensions, a provincially appointed committee wants your input.

A joint panel on pension standards is inviting written submissions on how to best ensure pension plans continue to benefit workers, employers and investors in Alberta and B.C.

It's been 20 years since the current generation of pension standards came into effect in Canada and 40 years since the first generation took effect.

Coverage nationally in occupational pension plans, including public sector plans, peaked at 45 per cent in 1991 and dropped to less than 39 per cent by 2006. Now, 23 per cent of Albertans employed in the private sector are covered by occupational pension plans.

"That percentage has been in fairly steady decline for the last couple of decades," said panel co-chair Christopher Brown, a Calgary lawyer specializing in pension issues.

"One of our tasks I think will be to get views on why that is and what can be done in the legislation to either stop and even reverse that trend," Brown said.

"Because obviously, long term, the fewer people who have stable incomes in retirement, it makes it a societal issue not just an employment issue."

Some of the key issues that will be examined in the review include:

- the role of pensions in attracting and retaining workers while ensuring fairness for employees and employers,
- encouraging the establishment and maintenance of employee pension plans in the two jurisdictions, including removing barriers to their creation and continuation,
- changes that will allow both provinces to continue to be attractive for investment.

British Columbia's pension legislation was modelled after Alberta's, so the two provinces have common issues to deal with, said Alberta Finance spokesperson Alison Gates-Kriston.

"The goal of the review is to solve those issues and to harmonize the legislation," she said. "The two provinces hope that the review will serve as a model for other Canadian provinces in pension legislation."

The panel will present its findings and recommendations to both provinces by Sept. 30, 2008.

Anyone interested in making submissions can access the panel's discussion paper, A Better Pension System for the Future: Finding a Balance, and other reference materials at www.ab-bc-pensionreview.ca, or by calling 1-888-568-9924. The deadline for submissions is Feb. 29, 2008.

PROVINCE ALSO LOOKING INTO NEW PUBLIC PLAN

In a separate initiative, Alberta Finance is looking into a provincial pension plan, which was a goal of Premier Ed Stelmach when he ran for the Progressive Conservative leadership last year.

"The department has been doing some exploratory work on an Alberta pension plan, the feasibility and different options," said Alberta Finance spokesman Jay O'Neill. "We're nowhere near ready to bring anything forward yet."

The premier has said that he favours a supplementary plan that would exist alongside the Canada Pension Plan rather than replacing it.

The department might have more concrete information to share in late January, O'Neill said.

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Health & Wellness

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Municipal Affairs & Housing

Seniors & Community Supports

Service Alberta

Solicitor General & Public Security

Sustainable Resource Development

Tourism, Parks, Recreation & Culture

Province in race for Olympic spinoffs; New office to market training, tourism

The Edmonton Journal

Thu 03 Jan 2008

Page: A1 / FRONT

Section: News

Byline: Darcy Henton

Dateline: EDMONTON

Source: The Edmonton Journal

EDMONTON - The Alberta government is creating an Olympic Secretariat to help the province reap the benefits from its proximity to the Vancouver Olympics, a minister said Wednesday.

Cindy Ady, associate Minister of Tourism Promotion, said the province is setting up the organization to take advantage of the fact that Alberta's world-class training facilities, a legacy of the 1988 Calgary Games, are going to be in the spotlight in the two years leading up to 2010 Winter Olympics.

"The whole world wants to come to Alberta to train for the Olympics," Ady said. "Even though the Olympics will be in Vancouver, as we ramp up, everybody will be coming here and training here.

"It's a major advantage. You can't buy that kind of exposure."

Officials expect 100 million TV viewers to be tuning in to more than 300 hours of pre-Olympic events, including World Cup races.

"It's really a good news story for Albertans," Ady said. "It's rare you get this chance."

She hopes to have an executive director hired by the end of the month to design a plan to use the Games to promote Alberta tourism, sports and culture.

The posting on the government website says the executive director will "provide leadership in developing and implementing initiatives designed to enhance the profile of Alberta."

The job pays \$73,812 to \$110,664 and the successful candidate will report to the deputy minister of Tourism, Parks and Culture.

Department spokeswoman Anne Douglas said the province decided a stand-alone secretariat was needed to make sure the issue got the attention it deserves.

"If we want this to happen, it can't be on the corner of someone's desk," she said.

Ady said the province will enlist Travel Alberta and the Tourism department to do much of the footwork, "but we need the secretariat to manage the details."

"We want to punch above our level," she said. "We want it to be a good effort Alberta can be proud of."

Ady said the province is signing a memorandum of understanding with the British Columbia government to be an Olympic partner.

The secretariat will also recruit volunteer "ambassadors" to promote the Games in Alberta, but it won't be a paying job, she said.

In preparation for the run-up to the Olympics and the corresponding Paralympics, many of Alberta's 20-year-old Olympic facilities have been given facelifts, including a \$25-million refurbishing of the Canmore Nordic Centre, she said.

The province has also pumped \$600,000 into improving the ski-jump facility at Canada Olympic Park and provided more than \$91,000 to buy safety fencing at Nakiska Ski Resort to address safety needs, she added.

Canadian athletes will get first dibs on Alberta's training facilities, but other countries are anxious to share them, Ady said.

"They all want to come here," she said. "Let's be clear: It's not that we have to go out and entice them; it's who do we want to let in here."

Alberta hopes to use the presence of training Olympians to promote athleticism in schools across the province, Ady said. The Games are also being used to launch training programs for Olympics officials.

"We'll train a whole new generation of officials," Ady said.

She hopes the Games will generate the excitement of the 1988 Calgary Olympics through "nostalgia" events at Calgary's Olympic Plaza.

She even jokingly tried to convince Premier Ed Stelmach to launch himself off the ski jump to rekindle memories of 1988. "We could have our own Eddie the Eagle," she said.

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*Miscellaneous Government

*Election

Columnists/Editorial & Comment

2007 in Alberta, by the numbers; Busy year on the political scene, and with an election expected soon things will heat up

The Edmonton Journal

Thu 03 Jan 2008

Page: A12

Section: Opinion

Byline: Graham Thomson

Column: Graham Thomson

Source: The Edmonton Journal

Before 2007 recedes too far in the rear-view mirror let's look over our shoulder briefly via my almost-annual

Alberta List (with apologies to the inimitable Harper's List).

- Number of times a landlord can raise rents per year under Alberta's new laws: 1.
- Amount some tenants have seen their rent increase per month: \$2,000.
- Age of Antonina Bielancska, the Edmonton grandmother who became a poster girl for tenants facing huge rent increases: 86.
- Number of times Premier Ed Stelmach described any \$1,000-a-month rent increases as "un-Albertan": 1.
- Number of rent control bills introduced by Stelmach government: 0.
- Amount of money Stelmach has pledged to affordable housing: \$285 million.
- Date in 2007 on which the Alberta Progressive Conservatives became the longest governing party in Alberta history: Sept 18.
- Number of consecutive days that were needed to break the record previously held by the Social Credit Party: 13,157.
- That number expressed in years: 36.

- Amount of votes the Conservatives received versus the Liberals in the Calgary-Elbow byelection last June: 4,017 vs. 4,801.
- Number of votes the Conservatives/
Liberals each received in the same riding in the 2004 general election: 6,958/4,938.
- And in 1997: 10,213/4,533.
- Number of votes difference in the riding since 1997 for Conservatives: -6,196.
- For Liberals: +268.
- Number of the legislation to revamp the Energy and Utilities Board that gave the government so much trouble in 2007: Bill 46.
- Number of amendments the government made to the bill after a public outcry: 24.
- Number of bills passed the final day of the fall sitting of the legislature: 24
- Number of consecutive hours sat that day, setting a record: 22.
- Amount of money contributed to Ed Stelmach's leadership campaign from donors whose names he has not made public: \$160,000
- Amount of money Ed Stelmach planned to charge for exclusive access to him at special fundraising receptions: \$5,000.
- Number of times Stelmach blamed "over-enthusiastic" supporters for the plan, which he cancelled: 1.
- Amount of money Stelmach raised from the Beaver Regional Waste Management Services Commission in contravention of his own ethical standards: \$10,000.
- Number of times he blamed "overzealous" supporters for soliciting the money which he ordered returned: 1.
- Number of times Liberal Leader Kevin Taft accused Stelmach of breaching "ethics and accountability" for wrongly raising money from the waste management services commission which is a provincially licensed body: 1.
- Number of fundraising letters it later turned out Liberals had written to the same waste management commission asking for a political contribution: 2.
- Amount the Liberals wanted from the commission: \$15,000.
- Amount they got: 0.

- Number of months former cabinet minister Murray Smith was paid not to work as Alberta's official agent in Washington, D.C.: 6.
- Expressed in dollars: \$105,000.
- Minimum amount of money the provincial government will pay in various fees and contractors' penalties not to build an official residence for the lieutenant-governor in Edmonton: \$550,000.
- Amount the government deemed too extravagant in 2004 to renovate the old Lt-Gov.'s residence which was consequently torn down: \$400,000.
- Number of times NDP caucus staff complained about a "breakdown of goodwill between staff and the caucus" in an internal memo dated February 28, 2007: 1.
- Number of times the NDP staff said they "often feel personally disrespected and/or bullied": 1.
- Percentage increase in energy royalties recommended by a government-appointed task force: 20.
- Year in which the government's proposed royalty system will reach that percentage increase: 2010.
- Percentage of the Teachers' Unfunded Pension liability owed by the Alberta government before a new deal was struck with teachers in November: 66.
- Percentage the government now owes: 100.
- Expressed in dollars: \$6.4 billion.
- Amount the liability will grow to by 2060 if it is not paid off sooner: \$45 billion.
- Date on which the government will present the Speech from the Throne: Feb. 4, 2008.
- Percentage chance, according to pundits, Premier Stelmach will call a provincial election just days later: 99.
- Percentage chance I'm wishing you a Happy New Year: 100.

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Spring budget calls for prudence; Stelmach government needs to bring spending under control

The Calgary Herald

Thu 03 Jan 2008

Page: A10

Section: The Editorial Page

Source: Calgary Herald

If debt-free Alberta is to avoid a return to deficit financing, Premier Ed Stelmach has to cut costs as he prepares his forthcoming spring budget. A good start would be a spending freeze for the coming year, and a commitment thereafter to what appears to be the federal government's plan: limiting budget increases to what's needed to cover inflation and population growth.

There are plenty of economic straws blowing in the wind to suggest prudence is the right strategy.

In year-end interviews for example, Prime Minister Stephen Harper warns of a "challenging year" ahead, partly on the basis of the compliance cost to industry of federal climate-change regulations, but especially his low expectations of the U.S. economy.

The latter are shared by former U.S. Federal Reserve boss Alan Greenspan who predicted last week "that something will happen which is unexpected, which will knock us down." He went on to say the world's central banks have lost control of upward-trending interest rates -- hardly good news for the U.S. economy, as America waits for the second act in its sub-prime crisis to open. Or for Canada: America is its largest customer, taking more than 80 per cent of our exports.

Stelmach has contributed to the situation, with poorly timed modifications to the provincial energy royalty structure.

Natural gas, in good years by far the largest contributor to Alberta resource revenues, was troubled by market conditions before the controversial royalty review; Stelmach's imposition of higher royalties just makes gas exploration that much less attractive. Meanwhile, even spectacular oil prices don't mean spectacular royalties: being denominated in U.S. dollars, what industry makes on the surge is diminished by the price it pays on the exchange -- and the high costs of the oilsands production that make up a rapidly increasing percentage of Alberta's volume.

This whole economic witches' brew arrives, just as the Alberta government has developed junkie-like dependence upon resource revenues.

Ten years ago, in fiscal 1998-99, resource revenues were equivalent to 16.5 per cent of program spending; last year it was 31 per cent, and it has been as high as 53 per cent.

The trouble with this dependency is that resource revenues are notoriously volatile, but expenses aren't.

In the last 10 years, resource revenues have been as little as \$2.3 billion, and as much as \$14.3 billion. Meanwhile, program spending has grown exponentially, especially in the last four years as the province disposed of nearly \$46 billion in resource revenues: whereas it spent \$24 billion in 2004, it predicts \$33 billion to have been spent in the fiscal year ending March 2008.

This leaves the provincial government with little flexibility in responding to events it cannot control. As so many of us find, the bills keep coming, even if the money doesn't. But, while individuals have some options, a government cannot solve its budget problem by laying off 10 per cent of one's nurses, for instance.

In this situation, it's easy to see why Stelmach went after the money. There is no certainty, though, that he will get it.

True, recession is not inevitable: indeed, loser talk can be a self-fulfilling prophecy. Nor should one assume governments and institutions will wait passively to be engulfed by circumstances without taking remedial action.

However, now would be the time to begin. The federal Conservative government's fall economic update posited compound spending growth of four per cent annually out to 2012, which seems proportionate to Canada's expected growth over the next five years.

It is a sensible signal, if the Stelmach government has its binoculars on the flags. Before making promises that are hard to break, or budgeting one more 10 per cent year-over-year spending increase, it should trim its sails.

If all is well, no harm will be done in taking a baby step to sustainability.

If, however, there are squalls, there will be less likelihood of capsizing in the blow.

Tobacco law a smart move

The Edmonton Sun

Thu 03 Jan 2008

Page: 11

Section: Editorial/Opinion

Byline: BY ROY CLANCY

With a new provincewide smoking ban in effect, we can expect the usual chorus of noisy complaints from the nicotine-deprived.

I sympathize. As someone who smoked several packs a day for more than 20 years, I know only too well the addictive powers of nicotine.

That's exactly why this smoking ban is long overdue.

Ralph Klein resisted overtures from several health ministers to impose a provincial smoking edict.

Considering that one of Klein's major objectives was reducing the cost of health care, which gobbles up more and more of the total provincial budget each year, this was downright hypocritical.

Some 3,400 Albertans die of smoking-related causes every year, but this doesn't even touch on the sickness and anguish suffered as a result of chronic tobacco use.

The province forks out \$470 million a year on health-care costs related to smoking.

Despite the outraged cries deploring "nanny-statism" and the loss of freedom suffered by nicotine addicts to light up pretty much where they please, there's evidence the overwhelming majority of the population stands solidly behind the provincial ban.

About 20% of Albertans smoke. Let's assume the other 80% don't have a problem with the ban. According to Health Canada, about 48% of adult smokers have tried to quit in the last year.

Even though only 4% to 8% of those who try are actually nicotine-free a year later, it's a safe bet that they're not exactly opposed to a tobacco ban either.

As anybody who has every tried to quit smoking can attest, one of the toughest challenges is going for a few beers with friends in a bar where the air is thick with cigarette smoke.

Removing this temptation will make the quest to kick the habit easier.

So if you winnow out those smokers who really want to quit, you're left with about 10% of the population who fall into the hardcore, don't-want-to-quit, love-the-cigarette-habit group.

Premier Ed Stelmach deserves kudos for paving the way for this long overdue legislation, which received support from all parties in the legislature.

Calgary's blanket smoking ban, which bans smoking in casinos, bingo halls and bars with ventilation areas, also came into effect Tuesday, but is rendered moot by the provincial law. Calgary, like the province, dithered for years over a smoking ban.

I predict it won't be long before we're asking ourselves what all the fuss was about.

Ireland banned smoking in 2004, becoming the first country in the world to impose a nationwide ban. And the Irish practically live in their pubs.

Germany and France, two other nations where a beer or coffee and a cigarette go hand-in-hand, joined the smoke-free club on Tuesday.

Alberta's Tobacco Reduction Act will also outlaw the visual tobacco displays common in many stores, and tobacco sales will be banned in pharmacies, post-secondary campuses and health-care institutions by 2009.

As well as protecting Albertans from second-hand smoke and motivating many longtime addicts to quit, the big benefit of this new law will be to discourage more teens from beginning in the first place.

The statistics show if a person hasn't started smoking by a certain age, they will likely never smoke.

Those lured by the habit face years of ill health and a fierce battle to finally kick it. Someone who starts smoking when they're 15 and smokes their entire life has a one-in-two chance of dying from a smoking-related illness, according to Health Canada.

In my mind, it is these potential smokers who will never start who are the real beneficiaries of this new law.

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New Year's resolutions for Edmonton

Edmonton Examiner

Fri 28 Dec 2007

Page: 4

Section: Editorial/Opinion
Column: Editorial

As we look forward to welcoming in 2008, the new year offers a fresh start while we plan for things to come.

It's an excuse to wipe the slate clean and refocus on what's important. Although many thoughts lie with friends and family relationships, health and fitness and career goals, it is also beneficial to take a look at the big picture and decide where we would like to see ourselves go as a community.

The growth Edmonton has experienced from Alberta's booming economy has brought along its share of challenges, but it is also creating an opportunity to achieve more than was possible in the past.

To accomplish this, we need to have an idea of exactly what the big picture should look like.

Here are some New Year's resolutions that we at the Examiner would like to see happen in 2008:

Regionalization -- With Premier Ed Stelmach threatening to impose a regional plan on the Greater Edmonton area if one can't be reached by consensus, it is in every municipality's best interest to work together.

We would like to see local governments resolve to take a fresh look at regionalization and the benefits such a level of co-operation would afford everybody -- and not just because they have to, either.

Development -- No one is debating whether or not more residential space is needed in Edmonton. Developers should resolve to come up with high-rise residential projects and accompanying amenities that are so attractive that communities are clamouring to host them in their boundaries. At the same time, we'd like to see community leagues and residential groups drop the Not-In-My-Back-Yard attitude as their first line of defence. One of the top complaints towards these types of developments is invariably an increase in traffic on local streets. It's all part of growing up, and a challenge the city must rise to meet -- which brings us to our final resolution: the city must resolve to get its public transit priorities sorted out.

They've already got a head start by dropping the bus rapid transit (BRT) idea that only served to confuse people and distract from the concerns over Edmonton's nearly non-existent light rail transit (LRT) system. The city should focus LRT planning in line with potential developers to create more high-density nodes throughout the city to allow for a more complete development package.

We need to have an idea of exactly what the big picture should look like. Here are some resolutions we would like to see happen.